North Dakota Governor Jack Dalrymple 2015 State of the State Address Bismarck, North Dakota January 6, 2015

Lt. Gov. Drew Wrigley, our distinguished legislators, Justices of the Supreme Court, elected officials, tribal leaders, cabinet members, First Lady Betsy, Kathleen Wrigley, and fellow citizens of North Dakota – welcome and thank you for joining me here today.

It's an honor and a privilege to address this joint session of the 64th Legislative Assembly. I look forward to working with all of you during this legislative session. Here in North Dakota, our people come first, and I am confident that we will continue to demonstrate what great things can be achieved when we work together in the spirit of public service and cooperation.

I suspect there are many governors all across this great nation who wish they could offer an address like the one I will share with you today. Ladies and gentlemen, two years ago I stood before you and reported that the state of our state was strong. Today, I am pleased to tell you that we've made great progress since then, and that North Dakota is stronger than ever.

But first, let's remember where we've come from. Gerald Miller of Williston stopped by my office a while ago to share with me a USA Today news article published on February 24, 2004. He wanted to remind us how far North Dakota has come. I couldn't agree more. It's a telling illustration of our progress, and I want to share it with all of you today.

USA Today reported in the front-page article that North Dakota was doing all the right things to energize its economy. The national newspaper reported that our economic development strategies were gaining traction and the state economy was showing signs of growth.

Our early progress, however, didn't convince all of our college graduates and other job seekers that North Dakota offered a promising future. Many of our young and well educated were still leaving in droves. North Dakota was growing older and was the only state to lose population from 2000 to 2003.

"Big cities lure away North Dakota youth," it says.

Other national publications around this time were less balanced, with one, the New York Times, going so far as to revive the ridiculous notion that the best economic option for the Great Plains would be to turn the entire region into a vast nature park, or buffalo commons.

We always knew better. And now the entire nation knows better as well.

This graphic, published by Governing magazine in April, shows how the people of every county in the nation have fared in terms of their personal income between 2007 and 2012. The counties in dark brown showed the greatest gain in personal income. North Dakota was the only state to show gains in personal income in every single county. More recent data shows that North Dakota's per-capita personal income continues to be among the nation's highest. In fact, North Dakota's personal income has steadily risen since 2004, from 13 percent below the national average to 19 percent above the national average. Our economic progress has not been confined to Oil Country.

North Dakota's growth in personal incomes is fueled by our state's robust economy. Over the past 10 years, North Dakota's economy has averaged an annual growth rate of 10.3 percent, nearly three times that of the nation's economy. We also continue to have the nation's lowest unemployment rate at just 2.4 percent, and our growing commercial activity has created more than 106,000 new jobs in the past 10 years.

And after years of out-migration and population decline, our population is growing and we now have some of the nation's fastest growing communities throughout the state. Two weeks ago, the Census Bureau reported that North Dakota has reached a new record population of nearly 740,000 residents. North Dakota is also getting younger, a major shift in the state's long-term demographics and a sign of our state's bright prospects for the future. Our growth is allowing North Dakotans to stay close to home and it's attracting new residents from across the country.

Kobie Lin told me he was astonished at what he saw when he traveled from New York to North Dakota in 2007 to visit a friend. He expected to come across a few isolated towns far outpaced by the nation's larger metro areas.

Instead, Kobie said he found Fargo and Bismarck to be vibrant communities with more growth potential than New York. His visit must have left quite an impression, because today, Kobie, his wife, JoJo, and their two kids call Bismarck home. The Lins are a welcome addition to this community where they own and operate two restaurants: Oahu and Kobe's Japanese Steakhouse and Sushi Bar.

Kobie told us he is proud and fortunate to call Bismarck home, and he's grateful for the community's strong support at his restaurants which, by the way, employ about 35 people.

Kobie and JoJo, we're glad you've come to North Dakota. Thank you for contributing to our economy, for creating jobs and thanks for the great sushi! Kobie and JoJo, would you please stand for a moment.

It's stories all across North Dakota, like the Lins,' of hard work, investment and optimism that convince me we're on the right track.

In August, Gallup, the national research and polling company, released the results of a comprehensive survey of all 50 states. This independent poll, based on interviews with 600 residents in each state, details how North Dakotans feel about their state economy, their state

government, their education system and many quality-of- life measures. For the first time ever, Gallup asked the same 42 questions in every state.

- When asked if their state's economic conditions were good or excellent, North Dakotans answered yes more often than any other state.
- Is it a good time to find a quality job? North Dakota ranked number one in positive responses.
- Is your state a good place to start a new business? North Dakota is first in the nation.
- Are the economic conditions in your city or area getting better? North Dakota ranked number one in the nation.

In government we rely on a wide range of economic data to help us understand the dynamics of our state economy and its impact on our citizens. Statistics are helpful, but the most valuable information I receive comes from the people I talk with all across the state. This Gallup poll bears out what I hear all the time, and it's gratifying to know that our progress is making a real difference in peoples' lives.

Our economic growth is creating many benefits all across North Dakota. We also know that growth comes with its own challenges, and we remain committed to meeting them head on.

In every region of the state, we continue to invest in public infrastructure projects that will pay dividends for decades to come. Never before in our state's history have we undertaken such an ambitious campaign to improve our roads and highways, expand water supply systems, advance flood control projects and develop affordable housing. These projects enhance the quality of our lives and support our growing economy.

We remain committed to permanent flood protection in the Fargo area and in the Minot area. We're investing in flood control projects in Devils Lake, Grafton, Williston and on the Sheyenne River. We are also working to bring quality water supplies to more and more people.

The continued development of affordable housing is another important focus. In just the past four years, the state has leveraged nearly \$90 million in tax credits and incentive funds to support the development of about 2,500 housing units reserved for low-to-moderate income residents and for key employees in the community.

Our Housing Incentive Fund has worked extremely well, and we have recommended expanding the program from \$35 million to \$50 million during the upcoming biennium. Our PACE program has also supported the building of thousands of homes and apartments. We have focused our housing programs on western North Dakota, but these development tools are also making a difference in other communities across the state.

North Dakota's oil production region has significant infrastructure needs, and we have steadily increased the state's financial support. In the current biennium alone, the state will invest about \$2.7 billion in our oil and gas producing counties, and I have recommended increasing the state's support during the upcoming biennium by another \$1 billion.

New bypass routes are providing great relief for residents in Watford City, Williston, Alexander, Dickinson and New Town. We're making good progress to four lane U.S. Highway 85 and upgrade our state highways in high traffic areas throughout the region. We're investing hundreds of millions of dollars to upgrade the region's busy airports and to improve city streets, as well as county and township roads.

Managing the kind of growth found in our oil counties is also a heavy responsibility for local leaders. We owe a debt of gratitude to all of the region's mayors, city and county commissioners, educational leaders and the many other peoples who support their community in so many ways.

Ward Koeser served as mayor of Williston for 20 years before retiring last summer. He was elected mayor in 1994, when the city's population and commercial activity were in decline. Those days make a stark contrast to Ward's last four years in office when Williston was rapidly expanding and became the fastest growing micropolitan area in America. Through it all, Ward provided exceptional leadership. He was a strong advocate for his community, and Williston is a better place today because of him.

Ward and his wife, Joetta, are here today. Ward, would you please stand and be recognized for your many years of outstanding service to Williston.

The best leaders shine in times of change and challenge. Ward provided a steady hand during the lean times, and he met the challenge when Williston became the epicenter of the nation's energy resurgence. Fargo Mayor Dennis Walaker also distinguished himself as a dedicated leader. Denny will always be remembered for holding back the flooding Red River and for leading his city into an era of unprecedented growth and opportunity.

There are many strong leaders throughout North Dakota. Thanks to all of you who are leaders for our state. I look forward to continuing our work together as we move forward.

Our commitment to meeting the challenges of growth extends well beyond infrastructure, especially in the state's oil and gas region.

We're providing additional funding for schools with rapid enrollment growth. We've expanded western North Dakota's court system and we have provided additional resources for the region's local law enforcement agencies.

OVERSIGHT OF THE OIL INDUSTRY

We should all be proud of the vital role our state is playing to help America strengthen its energy independence. We have become the nation's second-largest oil producer, and as our energy production has increased so has our responsibility.

For that reason, we've taken major steps to strengthen the state's oversight of the oil and gas industry. The state has adopted new oil conditioning standards to improve the safety of

Bakken crude oil for transport; we've required major reductions in the flaring of natural gas; and we've revised more than 60 sections of regulatory code to strengthen our oversight and environmental protections.

In both the 2011 and 2013 legislative sessions, we significantly expanded our regulatory staff within the Oil and Gas Division and the Department of Health to ensure that we enforce our health and environmental rules, and I have recommended funding additional positions during this legislative session. We have also recommended that the Public Service Commission augment the work of the federal Pipeline and Hazardous Materials Safety Administration to monitor our rail safety and pipeline integrity.

PUBLIC SAFETY

We also remain firmly committed to keeping North Dakota one of the safest states in the country. Since 2011, we have steadily expanded the capabilities of our Highway Patrol, the state Bureau of Criminal Investigation, our judicial system and the Department of Correction's parole and probation services.

This next slide shows each person's level of confidence in their government to meet challenges like public safety and air quality. When Gallup asked residents of every state if they trust their state government to handle state problems, North Dakotans answered yes more often than residents of any other state. Are you satisfied with your standard of living? Do you have confidence in your judicial system? Are you satisfied with your air quality? In answering these and other questions about governance, North Dakotans are more satisfied than residents of other states.

For local law enforcement officers in western North Dakota, the region's rapid growth has created even greater challenges. These local police and sheriffs' deputies will be supported by state grant funds and the addition of 22 new highway patrol troopers since 2011, in addition to a new FBI office in western North Dakota. National drug and sex traffickers are finding North Dakota the wrong place to do business.

Trooper Grant Lonski of the North Dakota Highway Patrol exemplifies our dedication to professional law enforcement and public safety.

Stationed in Lakota, Grant responded on November 5 to an emergency call for assistance after the region received its first snowfall and area roads had become extremely icy.

That afternoon, Mertie Kurtti drove from her rural Rock Lake home to attend a church meeting when her car went into a spin, slipped off Highway 281 just a few miles north of Church's Ferry and plunged down a steep embankment. Mertie, who is 81 years old, couldn't free herself from the car as ice-cold water rushed in.

Thankfully, she had a cell phone and she used it several times to call for help as the water rose above her shoulders. Grant Lonski closed in to about 10 miles away when Mertie's phone lost power, but he spotted where her car had left the highway. He couldn't see Mertie's car until

he began running down the steep embankment. He waded through the icy water, opened the driver's side door, unbuckled Mertie and carried her to safety. An ambulance crew arrived and transported Mertie for treatment of hypothermia at Mercy Hospital in Devils Lake.

Mertie and her son, Roger, are very grateful that Grant was able to find her that day, and they credit Grant with saving her life.

Grant please stand so that we can thank you for coming to Mertie's aide and for all that you do to keep North Dakota safe.

Grant, by the way, is also a member of the North Dakota National Guard. The opportunities we have in our state today are only possible because of people like Grant who serve in our nation's military, past and present. They keep our nation safe and we are forever in their debt.

Whether responding to natural disasters here at home or defending our nation on overseas or stateside missions, the members of the North Dakota National Guard continue to demonstrate their expertise and competency as a trained and ready force. Since the September 11th attacks on America, our Guard has mobilized nearly 7,000 soldiers and airmen in support of the Global War on Terrorism, an impressive contribution to our nation's military might. Even more impressive, about 70 percent of all members serving today have joined since 9/11. For every 10,000 citizens in North Dakota, 65 serve in the North Dakota Guard, a rate more than four times the national average.

There is no doubt that our Guardsmen, and all of our military members and veterans, are truly the best in the nation. Would all of the veterans and service members here today please stand and be recognized for your honorable service to our state and nation.

Throughout North Dakota, we are making major investments to meet the needs of our growing population.

Some may ask if spending is getting out of control. It's a fair question, especially in light of recent drops in oil prices and the potential impact on state revenues.

It's important for the people of North Dakota to know that we are committed to a structurally balanced state budget, where ongoing spending never exceeds our available, ongoing revenues.

There are risks associated with any economy that relies on the value of commodities, and those risks must always be carefully considered. We guard against these risks in several ways, including directing the vast majority of our oil and gas revenues – about 96 percent – to special reserve funds that are not used for ongoing operations.

Our statewide infrastructure upgrades and other capital projects require one-time funding that doesn't have to be repeated should there be a significant downturn in state

revenues. In the end, I expect our Legislature will find that we can continue to fund our priorities, maintain healthy reserves and provide even more tax relief.

With OPEC's recent decision not to curb its oil production and declines in the price of oil, there is a lot of discussion about what this means to North Dakota's oil industry and state revenues.

I believe we will see a correction, a re-balancing in worldwide production. In North Dakota, production may concentrate in core areas where production is especially high and operating costs per barrel are low. But in the end, energy independence in the United States is a game changer. No longer can OPEC and other foreign oil producers hold our country hostage to their control of oil supplies.

Moving forward, we will rely on Moody's Analytics to provide us with an updated revenue forecast this winter that includes the impacts of the lower price of oil. If adjustments to our spending plan are needed, I am confident our legislature will make prudent decisions based on the best available projections. In the end, our growth may be slowed, but it will not stop.

TAX RELIEF

One of the best ways we can share our prosperity with all of our citizens is by keeping their tax bills as low as possible. While other states contemplate tax hikes to offset budget shortfalls, we can provide additional tax relief during this legislative session.

Since 2009, we have reduced taxes by \$4.3 billion in North Dakota, and I have recommended reducing state taxes by another \$408 million during the upcoming biennium. A great deal of work has also been done to reform our overall system of property taxes. This year, the legislature will have an opportunity to pass a property tax reform bill that provides for more spending discipline, and makes it easier for taxpayers to understand how their tax dollars are used in comparison to other political subdivisions.

EDUCATION

Education is the foundation upon which we continue to build our future. And working together, we have steadily improved North Dakota's K-12 education system. We have put to rest the challenging issues of funding equity and adequacy, and we have significantly reduced the local cost of education by increasing the state's funding commitment. We have an opportunity during this legislative session to build on our accomplishments by maintaining strong funding for K-12 schools, by investing in early childhood education and by addressing the extraordinary needs of schools challenged by rapid enrollment growth.

Since 2010, enrollment in our K-12 schools has grown by 10,500 students, and just in the last year, our schools have enrolled an additional 2,600 students. The state is providing grants to help schools manage their growth, and we recommend expanding the program to make even more schools eligible for this assistance. We also recommend adding \$300 million to the school construction revolving loan program. During the current biennium, 22 school districts have accessed this loan program to build, expand or improve school facilities.

Our strong revenues also allow us to continue making strategic investments in our higher education system, even while most other states are having to reduce funding.

During the last legislative session, we worked together to develop a better method of funding our colleges and universities, and we supported an unprecedented \$414 million in capital improvement projects and repairs throughout our university system. While critical infrastructure needs remain, we should also focus on making college more affordable.

Our colleges and universities do an outstanding job of enriching student's lives and preparing them for a lifetime of success. Our universities also play a critical role in North Dakota's economic growth, providing essential research and development in support of our farmers and ranchers, and many other business sectors.

Gallup asked residents in every state about their education system as well, and North Dakota overwhelmingly came out on top again.

Asked if they would rate K-12 education as excellent or good, residents in North Dakota answered yes more often than any other state.

- Do schools prepare students for a good job? North Dakota scored best of all 50 states.
- Are you satisfied with your education system or schools? North Dakotans, again, answered yes more than any other state.

QUALITY-OF-LIFE INVESTMENTS

We've worked hard to develop an environment where small business and industry can thrive. Our proven strategies for economic development include a focus on low taxes, a sensible regulatory environment and an efficient state government that is responsive to the needs of its residents and businesses.

But our end goal has never been to simply grow our economy or to stand out in national rankings. The end goal is what a strong, diversified economy offers to the lives of our people. In addition to outstanding career and business opportunities and outstanding education, we will make investments in public infrastructure, outdoor recreation, workforce development and in many other priorities that support our continued progress and greatly enhance our quality of life.

All of the priorities that we continue to advance share one common goal: to enhance the life of every North Dakotan.

For example, we are recommending a \$30 million enhancement to fund major improvements throughout our state park system that will significantly increase opportunities for people to enjoy our great outdoors.

By asking a series of simple, but telling questions, Gallup found that North Dakotans rank their state's quality of life among the nation's best. Do you experience enjoyment a lot of the day? Are you treated with respect? Is your day largely free of worry? North Dakotans said yes more than any other state in responding to these social measures. North Dakota also ranked

within the top four states when residents across America were asked if they can count on others for help; if their state is a good place for children to learn and grow; and if their state is a good place for people with disabilities.

These poll results are encouraging, but the quality-of-life standards we strive to achieve should be our own, and they should always be set high.

Among our many responsibilities, none are more important than caring for our people. We have always provided for the needs of our seniors, our veterans and our most vulnerable citizens, and I am confident we will continue to provide strong financial support to nursing homes and other service providers.

Melanie Bailey lives by the values we hold dear in North Dakota. The Devils Lake High School senior knows what it means to put others first.

During the eastern cross country championship in October, Melanie came across Danielle LeNoue, an injured Fargo South runner, who was on the ground in obvious pain. Rather than pushing on with her race, Melanie stopped to help, and then carried Danielle on her back to the finish line.

Melanie's compassion drew national attention, including an appearance on the Ellen DeGeneres Show. Melanie please stand so that we can thank you for demonstrating so well the true spirit of North Dakota.

Here in North Dakota, we continue to drive an agenda for progress and a quality of life that is second to none. We know that progress comes with its own challenges and there is much work ahead. But we have every reason to be optimistic about our state and the increasing number of opportunities it provides.

I want to thank all the members of our legislature. The progress we have made in the last decade, and especially since the last session, is a testament to your good work for the people of North Dakota.

Today, I have outlined the challenges and priorities that will become the discussion of this legislative session. Let us commit now to a partnership and a shared vision so that two years from now, we can again say: look how far we have come.

Thank you. God bless you and God bless the great state of North Dakota.